

**DEPARTMENT OF LABOR AND TRAINING  
DIVISION OF WORKFORCE REGULATION AND SAFETY  
PERFORMANCE AUDIT  
JANUARY 2004**

**DEPARTMENT OF ADMINISTRATION  
BUREAU OF AUDITS  
ONE CAPITOL HILL  
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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DEPARTMENT OF LABOR AND TRAINING  
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**EXECUTIVE SUMMARY**

The Department needs to collate the various vital statistical programs, information, and integrate that information into the Department's annual reporting mediums.

Management is not utilizing the various information systems available to it in an effective manner. The Division is not being effective in integrating information system inputting, utilization, and reporting to support the various Units and Sections in accomplishing their respective missions. Management needs to query or utilize information system reports and monitor the consistency of data input.

Formal policies and procedures need to be developed to ensure a control environment that provides reasonable assurance that specific financial and program objectives will be achieved.

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January 21, 2003

Mr. Marvin D. Perry, Interim Director  
Department of Labor and Training  
1511 Pontiac Avenue  
Cranston, RI 02920

Dear Mr. Perry:

We have completed our performance audit of the Department of Labor and Training, Division of Workforce Regulation and Safety as of July 2003. Our audit was conducted in accordance with Sections 35-7-3 and 35-7-4 of the Rhode Island General Laws.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of the report. Management's response to our recommendations is included in this report.

In accordance with Section 35-7-4 of the Rhode Island General Laws, we will review the status of the Department of Labor and Training, Division of Workforce Regulation and Safety's corrective action plan within six months from the date of issue of this report.

Sincerely,

Frank J. Collaro, Jr., CFE, CGFM  
Acting Chief, Bureau of Audits

FJC:pp

DEPARTMENT OF LABOR AND TRAINING  
DIVISION OF WORKFORCE REGULATION AND SAFETY  
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**INTRODUCTION**

**Objectives, Scope, and Methodology**

We conducted a performance audit of the Department of Labor and Training, Division of Workforce Regulation and Safety. Our objectives were to determine if the Division of Workforce Regulation and Safety complied with state laws and regulations and was implementing its numerous programs that are intended to promote a workplace that is safe and competitive and has a fair environment to work or to conduct business in our state in an economical and efficient manner.

Our audit was made in accordance with the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors. In conducting our audit, we evaluated the practices and procedures used by the Division of Workforce Regulation and Safety in administering its operations. Our purpose was to identify practices and procedures that could be improved or made more efficient, and to identify any significant non-compliance with applicable state or federal laws. To achieve our objectives, we reviewed relevant policies and procedures, state laws and regulations, and applicable federal laws; interviewed responsible personnel; and performed tests of the records and such auditing procedures as we considered necessary in the circumstances.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 (c) of the Rhode Island General Laws requires the auditee to respond in writing within 60 days to all recommendations made in the report. Management's response to our audit findings and recommendations were submitted on January 13, 2004, and are included in our report.

**Background**

The Department of Labor and Training's primary responsibility is to provide comprehensive employment and training services to Rhode Islanders as enumerated in Chapter 42-16 of the Rhode Island General Laws. The Division of Workforce Regulation and Safety (the Division) is responsible for enforcing laws and administering programs that are designed to protect consumers, employees, and employers; to ensure the workplace is safe and competitive and has a fair environment to work or conduct business. This is accomplished through licensing, inspection programs, educational programs, workshops, seminars and enforcement of the various labor laws. The Division's three units—Professional Regulation, Labor Standards, and Occupational Safety—enforce compliance with the recently implemented Safety Awareness Program. All contractors who have been awarded state or municipal construction contracts valued over \$100,000 shall have "on site" employees on that particular contract job complete an OSHA ten-hour safety program.

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**FINDINGS AND RECOMMENDATIONS**

**External Reporting**

The Department of Labor and Training is subject to various reporting requirements under Rhode Island General Law ranging from reporting on boiler inspection activity to publishing a comprehensive report on all facets of labor and the workers within the state.

RIGL 28-1-1 cites the requirement of an all-comprehensive detailed report. It requires the Director to collect and publish the facts and statistical details relating to the condition of labor and business in all mechanical, manufacturing, commercial, and other industrial business of the state, and especially in relation to the social, educational, and sanitary conditions of the laboring classes. The reporting is required annually and data should include any information that the director deems useful to the General Assembly in the proper performance of its legislative duties in reference to labor.

The Department utilizes three mediums by which to publish and/or distribute reported information: The Department's Annual Report, the Department's Annual Statistical and Fiscal Digest, and the Department's Internet sites. Within these three mediums we discovered a significant difference between reported information among this Division and the reported information of the three programmatic divisions, the support divisions, and of the various autonomous bodies within the Department. The information reported regarding this Division is extremely limited compared to the abundance of information that is divulged between the two separate reports regarding the other Divisions and autonomous bodies within the department.

The greatest reporting discrepancy is clearly within the Department's Annual Statistical and Fiscal Digest. This Digest serves as an excellent medium for the Department to divulge any statistical information it desires to accentuate the results and accomplishments of any of its programs. Although this Division is the smallest programmatic division in terms of budget, it may very well be one of the more copious and diverse in terms of the number of programs that it is charged with administering. Most importantly, the programs of this Division appear to be extremely pertinent to the requirement of the Director under RIGL 28-1-1. Also, if the Department collected and recorded the Division's vital statistical information relative its activities, the reported information could serve as an informational tool for management and it could also benefit the Division in monitoring and managing the many programs it administers.

## **Recommendation**

1. The Department should make a concerted effort to collate the vital statistical information regarding the many programs within the Division and integrate that information into the Department's annual reporting mediums. The reported information regarding the Division should be of the same informational value and quantity as that of the other three programmatic divisions being reported on.

**Management's Response:** Accepted

## **Computerization and Information Systems**

All Sections within the three Units of the Division, except for one Section within Occupational Safety Unit, have available to them an information system that has been tailored to the specific information recording needs of that Section. The Units and Sections also have individual data input capability. We examined the effectiveness of management's integration of information system inputting, information system utilization, and information system report utilization with the goals and objectives of those Units and Sections in accomplishing their respective missions. Our observations within the three Units follow:

**Professional Regulation Unit:** This Unit does not have a separate input and information system utilization of sections within it. All information system activity is entered into one set of modules. All licensure and testing activity is recorded into the system, as well as all of the violation case information. Any individual company, who has been discovered through field investigation, is said to be in violation of the licensure requirements of the various trades under the jurisdiction of the Unit.

We learned that management has never queried the information system to produce any kind of report regarding the violation case information stored in the system. We made one such inquiry as part of our audit. We queried the system to produce a report listing of all violators for a ten-month period. Our analysis of this simple report disclosed the following deficiencies regarding individual violation cases recorded within the system:

- A significant number of occurrences where violators have been assessed a penalty but that final determination had never been entered into the violators' case records in the information system.
- A number of individual violation cases were completely omitted from the information system. Two of those cases had a penalty assessed, but the Unit had not begun billing procedures as of the date of our system report that was ten months later.

We deemed these deficiencies regarding individual violation case recordings to be crucial because the information system acts as the primary record keeping mechanism for management to monitor and manage individual violation cases. Management needs to maintain accurate and updated records for individual violation cases. Because these records are used when determining if individuals have been previously cited for violations by the Unit. There are increased sanctions against repeat violators.

During our examination of these two recording deficiencies, we also discovered other deficiencies within the Unit not directly related to the information system utilizations:

- Internal deficiencies in the internal violation case routing procedures, the penalty assessment procedures, and the penalty billing procedures.
- Internal deficiencies in the procedures for summoning violators before the various Boards.

We, therefore, conclude that there are two main deficiencies within the information system inputting, information system utilization, and information system report utilization within the Unit.

1. Lack of management's assertiveness in querying any kind of information system reports. This would enable management to more efficiently and effectively monitor, manage, and scrutinize complaint/violation cases, and to aid in the detection of any deficiencies in the internal procedure of their respective units that are not related to the information system process. Utilization and analysis of system reports by management could also serve as an indicator of inconsistent input practices.
2. Lack of consistent data input into the information system by the various personnel within the Unit. We found some of the cases on the report listing to be confusing in their determination as to the case result and the penalty paid by the violator. There was no case result listed but there was a penalty paid amount in another field. This was the result of different input operators with varying levels of knowledge of system inputting procedures. However, we discovered these inconsistent input procedures not to be substantially impeding the quality of the system data.

**Labor Standards Unit:** This Unit utilizes three separate sets of the information system modules:

- A. Complaint case information (other than Prevailing Wage)
- B. Violation/Complaint case information (Prevailing Wage)
- C. Contract shops information

Regarding the violation/complaint case modules for both prevailing wage and the other than prevailing wage, management does not actively query the information system to produce any kind of reports regarding the violation/complaint information stored in the systems. As with our assessment of the Professional Regulation Unit, we believe that management could be better served by utilizing and analyzing system reports in managing and monitoring violation/complaint cases and to aid in the detection of any internal procedures not related to the information system process.

We found the data being entered into the two complaint/violation case systems to be inconsistent whether it was entered by various personnel within the Unit or by a single worker.



With regards to cases other than the Prevailing Wage, management asserts that all of the essential data related to all of the complaint cases generated is being input into the system. We independently conclude that management cannot reasonably verify this because it has never queried or analyzed any of the information reports stored in the data system. Also, when we compared complaint hardcopy case files to the information in the system we discovered that approximately 15 percent of the hardcopy case files that were designated as closed were not designated as such in the information system. This alone serves as evidence that case information is not being input into the system on a complete and consistent basis.

Regarding the case modules for Prevailing Wage we discovered a pattern of even more severe inconsistent and incomplete data input. The workers within the Section will input certain data into the modules that they individually choose to, with regards to cases that they are assigned. There is virtually no consistency in the input process, resulting in cases having differing levels of information stored in the system. We also noted that the case file information in the system is not complete and that more than half of the total complaint cases for a given year were not recorded in the information system.

Inconsistent input practices, regardless of which modules utilized, leads to inconsistent and inaccurate reporting from the system. Any reports requested from the system are based on parameters of data that have been input into certain field in the modules. If data has not been consistently input among users for all cases, then report information becomes severely unreliable, inaccurate, and therefore useless. This is all based on our premise that management could be better served by regularly querying and analyzing complete and accurate reports of system information, rather than never utilizing such reports. Utilization and analysis of such reports by management could also serve as an indicator of such inconsistent input practices.

This Unit devotes the majority of all its time and resources towards managing complaint/violation cases. The individual case data is recorded in both the information system and in hardcopy paper files. The system modules available to the Unit do not record nearly as much information that is routinely maintained in the hard copy files. All of the recorded activity and documentation pertaining to a given case as it progresses is recorded in the hardcopy files, and they include third party letters and documents, Unit-generated letters and checklists, and other United-generated documents. As a result, Unit personnel rely almost exclusively on the hard copy files when working on or referring to individual cases.

There are two employees who input the case information into the system and devote a significant portion of their work time to the input process for the non-prevailing wage cases. This appears to be an inefficient use of resources since management does not utilize the system for either useful case reporting purposes, case management, or for case reference purposes.

**Occupational Safety Unit/Elevator Section:** This section utilizes the information system modules available to record all individual elevator (lifting device) data, trade licensing data, and trade testing data. We determined that the Section is inputting all of the data into the system both consistently and completely. However, management does not utilize the system information to manage and control the elevator inspection process as a whole. Management relies on a manual system of managing and controlling the mandatory annual inspections and annual certificate renewals, thus foregoing a reasonable level of administrative control by not

utilizing the information system. The manual paper system that is currently being used to manage the annual inspections is a system riddled with inherent flaws with regards to effective control.

### **Recommendations**

2. The Professional Regulation Unit and the Labor Standards Unit should proactively utilize the information stored within their respective information systems by being more assertive in querying and analyzing system reports.

**Management's Response:** Accepted

3. The Professional Regulation Unit and the Labor Standards Unit should develop standardized input procedures for each of the individual system modules serving their respective Units. Unit personnel should be trained in these procedures.

**Management's Response:** Accepted

4. The Labor Standards Unit should either implement the foregoing recommendations or consider completely abandoning the information system usage for complaint violation cases. The Unit should cease all efforts towards inputting into the system. The time and resources currently being exerted by the Unit's personnel towards system inputting should be diverted to further strengthening and maintaining the hardcopy file system.

**Management's Response:** Accepted

5. The Occupational Safety Unit/Elevator Section should utilize and analyze system reports for the purpose of managing and controlling the elevator inspection process.

**Management's Response:** Accepted

### **Policies and Procedures**

Formal policies and procedures are an integral part of an organization's internal control. The effectiveness of management to ensure that program goals are designed to meet the provisions of the laws governing the Division are significantly reduced when policies and procedures are incomplete or inadequate. Clearly defining methods of fulfilling responsibilities within the organization allow for consistent operation and administration by staff and management. The Division does not have updated and complete policies and procedures encompassing all of its operations.

### **Recommendation**

6. Develop policies and procedures that encompass all of the Division's respective operations.

**Management's Response:** Accepted

### **Accounts Receivable**

Section A-16 of the Department of Administration's Procedural Handbook requires that departments and agencies report their accounts receivable to the Office of Accounts and Control. It is the responsibility of the departments and agencies to keep detailed records of accounts receivable, reconcile their records with those maintained by the Office of Accounts and Control, and to follow at least the minimum collection procedures outlined in Section A-16. We noted that management is not reporting the accounts receivable generated from penalties and fines from fees assessed to the Office of Accounts and Control in accordance with Section A-16 of the Department of Administration's Procedural Handbook.

### **Recommendation**

7. Comply with the procedures for accounts receivable as described in Section A-16 of the Department of Administration's Procedural Handbook.

**Management's Response:** Accepted



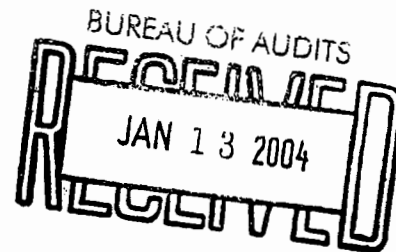
Donald L. Carcieri  
Governor  
Marvin D. Perry  
Director

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January 5, 2004

Mr. Frank J. Collaro, CFE, CGFM,  
Acting Chief  
Bureau of Audits  
Department of Administration  
One Capitol Hill  
Providence, RI 02908

Dear Mr. Collaro:

In response to the performance audit done on the Division of Workforce Regulation & Safety dated November, 2003, the following are the Department's responses to the findings and recommendations of the Bureau of Audits.

Recommendation:

1. The Department should make a concerted effort to collate the vital statistical information regarding the many programs within the Division and integrate that information into the Department's annual reporting mediums. The reported information regarding the Division should be of the same information value and quantity as that of the other three programmatic divisions being reported on.

Response -- Accepted:

**The Division agrees with the recommendation, and will report information on the Division in its entirety. It will include statistics of the three (3) Units within the Division.**

Recommendations:

2. The Professional Regulation Unit and the Labor Standards Unit should proactively utilize the information stored within their respective information systems by being more assertive in querying and analyzing system reports.

3. The Professional Regulation Unit and the Labor Standards Unit should develop standardized input procedures for each of the individual system modules serving their respective Units. Unit personnel should be trained in these procedures.
4. The Labor Standards Unit should either implement the foregoing recommendations or consider completely abandoning the information system usage for complaint violation cases. The Unit should cease all efforts towards inputting into the system. The time and resources currently being diverted to further strengthening and maintaining the hardcopy file system.
5. The Occupational Safety Unit/Elevator Section should utilize and analyze system reports for the purpose of managing and controlling the elevator inspection process.

Response -- Accepted:

**Since the Bureau of Audits performance audit, the IS Division of the Department has been reorganized. We agree with your recommendations #2 and #3, and are currently working with our technical support staff to more efficiently use our data to produce reports.**

**Additionally, we are currently in the process of programming changes to standardize data entry procedures for all three (3) units of the Division, and training of personnel will follow.**

**The Labor Standards Unit will implement the recommendations in #2 and #3, and will not abandon the information system.**

**The Occupational Safety Unit/Elevator Section is also currently working on programming updates to manage the elevator inspection process. They also are establishing an elevator registration to properly monitor all elevators in the State of Rhode Island. Reports will be generated for the inspection process.**

Recommendation:

6. Develop policies and procedures that encompass all of the Division's respective operations.

Response -- Accepted:

**Policies and procedures encompassing the Division's operations will be formulated within the next six (6) months.**

Recommendation:

7. Comply with the procedures for accounts receivable as described in Section A-16 of the Department of Administration's Procedural Handbook.

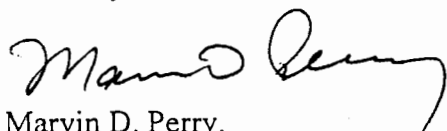
Response -- Accepted:

**The Division agrees with the recommendation, and penalties and fines assessed will be monitored and reported in accordance with Section A-16.**

With all of the above changes, the Division of Workforce Regulation & Safety has either complied with or will comply with the recommendations of the Bureau of Audits.

Should you have any questions, or require any additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Marvin D. Perry". The signature is fluid and cursive, with the first name "Marvin" being more prominent than the last name "Perry".

Marvin D. Perry,  
Acting Director  
RI Department of Labor & Training